

## Message Text

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16

ACTION EB-11

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 1394

UNCLAS BOGOTA 1471

EO 11652: NA

TAGS: ETRD, CO

SUBJ: COLOMBIAN EXPORT CONTROLS AND EXPORT TAXES

REF: A) STATE 22871 B) BOGOTA 1105

1. EXPORT CONTROLS - GENERAL: RESOLUTION DATED NOV 20, 1973, CONSOLIDATED AND MODIFIED COLOMBIA'S EXPORT CONTROLS (REF B). THREE LISTS ESTABLISHED, ONE OF PROHIBITED EXPORTS, ONE OF EXPORTS REQUIRING PRIOR APPROVAL BY FOREIGN TRADE INSTITUTE, AND ONE OF EXPORTS SUBJECT TO OTHER RESTRICTIONS OR APPROVAL REQUIREMENTS. ALL OTHER PRODUCTS MAY BE FREELY EXPORTED, BUT VERY FEW PRODUCTS AVAILABLE FOR EXPORT CANNOT BE FOUND ON ONE OF THE LISTS.

2. EXPORT CONTROLS AND TAXES -- COFFEE: IN ABSENCE OF ECONOMIC PROVISIONS IN ICA, COFFEE EXPORTS NOT SUBJECT TO QUOTAS AS BEFORE, BUT SEMI-OFFICIAL COFFEE FEDERATION STILL ABLE TO EXERCISE CONTROL BY STOCKPILING OR EXPORTING FROM ITS STOCKS. STOCKS CAN BE BUILT UP BY RAISING SUPPORT PRICE IT PAYS FOR COFFEE IN COMPETITION WITH PRIVATE EXPORTERS, AND BY INCREASING DOMESTIC RETENTION REQUIREMENT APPLIED TO PRIVATE EXPORTS. COLOMBIA HAS PUBLICLY AGREED WITH BRAZIL, IVORY COAST AND PORTUGAL TO WITHHOLD FROM EXPORT MARKET 10 PERCENT OF AVERAGE EXPORTS OVER PAST THREE

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YEARS. TO DATE NO EVIDENCE THIS POLICY IN OPERATION; EVEN IF

THIS FORMULA APPLIED, RECORD CROP EXPECTED THIS YEAR WILL BOOST COLOMBIA'S COFFEE EXPORTS ABOVE LAST YEAR'S.

3. EXPORT TAXES: ONLY KNOWN EXPORT TAX IS 20 PERCENT TAX ON COFFEE EXPORTS, APPLIED TO PESO EQUIVALENT OF US DOLLAR VALUE, REPRESENTING NEW YORK PRICE LESS INSURANCE AND FREIGHT, AS SET BY GOC PERIODICALLY. CURRENT FIXED PRICE FOR TAX PURPOSES IS DOLS 104.50/70 KILO SACK, IN EFFECT SINCE LAST SEPT 18 AND PROBABLY DUE TO BE INCREASED SHORTLY. DOMESTIC RETENTION REQUIREMENT, MENTIONED PARA 2 ABOVE, AFFECTS EXPORTERS LIKE A TAX, BUT PROCEEDS DO NOT GO INTO GOVT REVENUES.

4. LIKELY PRESSURES FOR EXPORT CONTROLS: SINCE EXPORT CONTROL RESOLUTION DESCRIBED PARA 1 ABOVE INCLUDES MOST COLOMBIAN EXPORTS, THERE ARE FEW ADDITIONAL PRODUCTS THAT COULD BE ADDED TO LISTS. PRODUCTS CAN BE SHIFTED FROM ONE LIST TO ANOTHER, AND BASIC RESOLUTION HAS ALREADY BEEN MODIFIED FOUR TIMES. ONE POTENTIAL ADDITION IS BLACK BEANS, GROWN ALMOST EXCLUSIVELY FOR EXPORT, WHICH MAY BE CONTROLLED IN ORDER TO LIMIT ACREAGE DEVOTED TO THIS CROP AT EXPENSE OF DOMESTICALLY CONSUMED CROPS.

5. BARTER TRADE-COMPENSATION AGREEMENTS: COLOMBIA HAS BILATERAL COMPENSATION AGREEMENTS WITH BULGARIA, EAST GERMANY, HUNGARY, POLAND, ROMANIA, YUGOSLAVIA, AND SPAIN. AGREEMENTS PROVIDE FOR ACCUMULATING TRADE SURPLUSES FOR EVENTUAL PURCHASES FROM DEFICIT COUNTRY, PREFERABLY OF PRODUCTS INCLUDED IN ILLUSTRATIVE LISTS IN EACH AGREEMENT. PRINCIPAL COLOMBIAN EXPORT UNDER AGREEMENTS IS COFFEE. COLOMBIA HAS DIFFICULTY FINDING DESIRABLE COMPENSATING IMPORTS AND REGULARLY HOLDS NET SURPLUSES WHICH AS OF DEC 31, 1973 AMOUNTED TO US DOLS 12.2 MILLION.

6. BARTER TRADE-OTHER: COLOMBIA AND JAPAN ARE DISCUSSING AGREEMENT TO SUPPLY 5,000 BARRELS PER DAY OF FUEL OIL IN EXCHANGE FOR OILFIELD AND DRILLING PIPE. IF DEAL GOES THROUGH, WHICH NOT YET ASSURED, SHIPMENTS PROBABLY WOULD NOT BEGIN UNTIL NEXT FALL. COLOMBIA AND BRAZIL APPARENTLY HAVE AGREED IN PRINCIPLE TO JOINT COAL DEVELOPMENT PROJECT IN COLOMBIA FORESEEING COAL EXPORTS TO BRAZIL GROWING FROM 240,000 TONS IN 1977 TO SIX MILLION TONS IN 1988. IN RETURN BRAZIL WILL SUPPLY AN ESTIMATED ONE MILLION TONS ANNUALLY OF IRON ORE AND STEEL PRODUCTS TO

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COLOMBIA. FINALLY, SOVIET UNION, WHICH BUYS COLOMBIAN COFFEE FOR HARD CURRENCY, WOULD LIKE TO TRADE HYDROELECTRIC TURBINES FOR COFFEE, BUT NO INDICATION ANY SPECIFIC DEALS YET BEING DISCUSSED.

7. IMPORT RESTRICTIONS: GOC HAS VARIETY OF IMPORT CONTROLS THOUGH NONE APPEAR TO BE RELATED TO CURRENT SUPPLY PROBLEMS. COLOMBIA HAS BEEN LEADING PRACTITIONER OF IMPORT SUBSTITUTION

APPROACH, BUT MORE RECENT CHANGES IN SYSTEM HAVE ALL BEEN TOWARD  
LIBERALIZATION REFLECTING IMPROVING FOREIGN EXCHANGE POSITION  
AND AS ANTI-INFLATIONARY MEASURES.  
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